

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-08  
FRB-03 INR-07 NSAE-00 SP-02 STR-04 TRSE-00 LAB-04  
SIL-01 OMB-01 L-03 H-01 PRS-01 ITC-01 AGRE-00  
/055 W

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R 181729Z MAR 77  
FM USMISSIO EC BRUSSELS  
TO SECSTATE WASHDC 3308  
INFO ALL EC CAPITALS 3301  
AMEMBASSY MADRID

C O N F I D E N T I A L EC BRUSSELS 2673

E.O. 11652: GDS  
TAGS: EEC, SP, EAGR  
SUBJECT: CONTINUING EC-SPANISH IMPASSE OVER REGULARIZATION OF  
1970 AGREEMENT

REFS: (A) EC BRUSSELS 2281; (B) EC BRUSSELS 807;  
(C) 76 EC BRUSSELS 9605

1. SUMMARY: RECENT DISCUSSIONS WITH EC COMMISSION, PERM  
DEL, AND SPANISH MISSION OFFICIALS INDICATE THAT EC AND  
SPAIN HAVE NOT YET FOUND A FORMULA FOR CONFORMING SPAIN'S  
TRADE WITH UK, IRELAND AND DENMARK WITH ITS TRADE WITH  
ORIGINAL SIX EC MEMBERS ON JULY 1, WHEN SOME OF PRESENT  
TRADING ARRANGEMENTS WITH NEWER EC MEMBERS EXPIRE.  
ACKNOWLEDGING THAT CAUTION AND RIGIDITIES ON PART OF  
BOTH COMMUNITY AND SPANISH ARE RESPONSIBLE, COMMISSION  
SEES NO EASY OR EARLY WAY OUT OF IMPASSE AND IS PARTICULARLY  
FRUSTRATED THAT IT SHOULD HAVE DEVELOPED, WITH SOME ATTENDANT  
HARD FEELINGS ON BOTH SIDES, ONLY A FEW MONTHS PRIOR  
TO AN ANTICIPATED SPANISH APPLICATION FOR EC MEMBERSHIP.  
NONETHELESS, EC-SPANISH DISCUSSIONS ARE CONTINUING,  
AND COMMISSION OFFICIALS AVER THAT PRESENT IRRITATIONS  
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WILL NOT AFFECT COMMISSION'S ATTITUDES TOWARD  
THE EXPECTED MEMBERSHIP APPLICATION. END SUMMARY.

2. THE CURRENT SITUATION IN EC-SPANISH NEGOTIATIONS  
DESGINED TO EXTEND THE 1970 EC-SPAIN TRADE AGREEMENT  
TO COVER SPANISH TRADE WITH THE THREE MOST  
RECENT EC MEMBERS IS BASICALLY AS FOLLOWS: SPAIN,

UK AND DENMARK DO NOT WANT BRITISH AND DANISH  
TARIFFS ON SEVERAL FRUIT AND VEGETABLE PRODUCTS TO  
BE FORCED UP ON JULY 1; TO PREVENT THAT OCCURRING,  
SPAIN HAS PROPOSED THAT THE ORIGINAL SIX EC MEMBERS  
LOWER THEIR AGRICULTURAL DUTIES ON THESE SPANISH  
PRODUCTS, AND SAYS IT IS NOW PREPARED TO MAKE MINOR  
OFFSETTING CONCESSIONS ON INDUSTRIAL TARIFFS FOR PRODUCTS FROM  
THE NINE EC COUNTRIES. ITALY AND FRANCE CONSIDER  
SPAIN'S INDUSTRIAL CONCESSIONS RELATIVELY INSIGNIFICANT  
AND DO NOT, IN ANY CASE, FAVOR FURTHER  
AGRICULTURAL CONCESSIONS AT THIS TIME. SPAIN,  
FEARFUL OF BEING SNOOKERED IN THE SECOND PHASE OF  
NEGOTIATIONS, IS RELUCTANT TO ACCEPT A COMMISSION  
PROPOSAL FOR A TWO-TIERED APPROACH WHICH WOULD HAVE  
THE 1970 AGREEMENT APPLIED TO THE THREE NEWEST EC  
MEMBERS ON JULY 1, WITH A BROADER PACKAGE OF OFFSETTING  
EC AGRICULTURAL CONCESSIONS AND SPANISH  
INDUSTRIAL CONCESSIONS NEGOTIATED DURING THE SECOND  
HALF 1977 TO TAKE EFFECT NEXT JANUARY. COMPLICATING  
THE PICTURE IS THE FACT THAT THE ITALIANS, COVERTLY  
SECONDED BY THE FRENCH, HAVE RECENTLY TAKEN THE  
POSITION THAT THEY WILL NOT, AS A MATTER OF PRINCIPLE,  
AGREE TO ANY FURTHER AGRICULTURAL CONCESSIONS TO  
SPAIN OR ANY OTHER MEDITERRANEAN COUNTRY UNTIL THE  
COMMISSION SENDS TO THE EC COUNCIL ITS LONG-AWAITED  
REPORT ON THE IMPACT OF THE EC'S MEDITERRANEAN POLICY  
ON MEMBER STATES' AGRICULTURE AND THE COUNCIL TAKES  
REMEDIAL ACTION.

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3. ALTHOUGH COMMUNITY-SPANISH DISCUSSIONS ARE CONTINUING,  
THE GENERAL ATTITUDE IN THE COMMISSION,  
PERM DELS, AND THE SPANISH MISSION TO THE EC IS  
PRESENTLY ONE OF FAIRLY FENERALIZED IRRITATION AND  
PROFESSED BELIEF THAT A WAY OUT OF THE IMPASSE WILL  
NOT BE FOUND SOON -- PERHAPS NOT BY JULY 1.

4. IN COMMISSION AND PERM DELS (OTHER THAN UK AND  
DENMARK) IT IS GENERALLY BELIEVED THAT: (A) WHILE  
INDUSTRIAL CONCESSIONS NOW BEING PROPOSED BY SPAIN  
ARE FARILY MINOR, THEY PROBABLY WOULD HAVE BEEN  
SUFFICIENT TO UNFREEZE THE SITUATION IF MADE LAST  
SUMMER OR FALL, I.E., BEFORE ITALY BECAME LOCKED  
INTO ITS POSITION REGARDING NO FURTHER AGRICULTURAL  
CONCESSIONS; (B) IT IS UNSEEMLY FOR SPAIN TO EVER  
REPEATEDLY THAT IT WILL SUBMIT AN ACCESSION APPLICATION  
LATER THIS YEAR AND YET REFUSE EITHER TO MAKE  
GREATER CONCESSIONS NOW TOWARD THE ULTIMATE HARMONIZATION  
OF TRADE -- WHICH WOULD BE AN ESSENTIAL FEATURE

OF ACCESSION -- OR TO TRUST THE GOOD FAITH OF ITS FUTURE  
COMMUNITY PARTNERS WHEN AN ARRANGEMENT LIKE  
THE COMMISSION'S TWO-TIERED ACCOMMODATION IS PROPOSED;  
AND (C) DESPITE IRRITATION WITH THE SPANISH, THERE  
IS PERHAPS LEGITIMATE CAUSE FOR BEING SKEPTICAL THAT  
THE COMMUNITY WOULD BE WILLING TO GRANT LATER THIS  
YEAR AGRICULTURAL CONCESSIONS IT IS UNWILLING TO  
GIVE NOW.

5. IN PRESSING SPAIN'S CASE FOR AGRICULTURAL CONCESSIONS,  
THE SPANISH MISSION HERE ARGUES THAT OTHER  
NON-EC COUNTRIES WHICH COMPETE WITH SPAIN IN EC  
MARKETS ON FRUIT AND VEGETABLE PRODUCTS (E.G.  
TOMATOES, ORANGES, GRAPES, CUCUMBERS, NEW POTATOES,  
AND SHERRY-TYPE WINES) ALREADY ENJOY TARIFF CONCESSIONS  
WHICH SPAIN DOES NOT. THE SPANISH ALSO CLAIM THAT  
IT IS THESE OTHER MEDITERRANEAN COUNTRIES -- E.G.  
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ISRAEL, MOROCCO, TUNISIA -- WHO WILL BENEFIT IN THE  
UK MARKET RATHER THAN ITALY OR FRANCE, IF THE UK IS  
FORCED TO RAISE TARIFFS ON SPANISH PRODUCE LATER THIS YEAR.

6. COMMISSION OFFICIAL RESPONSIBLE FOR SOUTHERN EUROPE  
IN DG I (EXTERNAL RELATIONS) TOLD MISSION OFFICER  
MARCH 17 THAT DESPITE THE PRESENT IRRITATION ON ALL  
SIDES, WHEN THE TIME COMES FOR THE COMMISSION TO CONSIDER  
THE EXPECTED SPANISH ACCESSION REQUEST, IT WILL DO  
SO WITH A "FRESH AND OPEN MIND." HE SPECULATED  
THAT EC MEMBER STATES WILL APPROACH THE PROBLEM  
IN A SIMILAR SPIRIT, BUT EMPHASIZED THAT UNDER  
THE BEST OF CIRCUMSTANCES ACCESSION NEGOTIATIONS  
WITH SPAIN, IF THEY OCCUR, WILL BE DIFFICULT  
BECAUSE OF FRENCH AND ITALIAN CONCERNS IN THE  
AGRICULTURAL SECTOR.HINTON

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## Message Attributes

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